

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

STARRED QUESTION NO:386
ANSWERED ON:05.08.2014
FERTILIZER PLANTS
Mahto Dr. Banshilal

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) the details of fertilizer units in the country in operation and those lying sick under public, cooperative and private sectors, separately ;
- (b) the quantum of fertilizer produced and the capacity utilization of units under operation during last two years and the current year;
- (c) whether some of these factories have become sick and others are on the verge of sickness/closure, if so, the details thereof and the reasons therefor;
- (d) whether the Government is aware of the inadequate feed stock including gas for the production of fertilizer and if so, the details thereof; and
- (e) the steps taken /proposed to be taken by the Government for the revival of sick units along with the revival package announced so far?

Answer

MINISTER OF CHEMICALS & FERTILIZERS (SHRI ANANTH KUMAR)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. 386 FOR REPLY ON 05.08.2014 REGARDING "FERTILIZERS PLANTS".

(a) : The details of fertilizer units in the country in operation are at Annexe-I. Out of these fertilizer companies following three fertilizer companies are sick:

i. Madras Fertilizer Limited (MFL) ii. The Fertilizer And Chemicals Travancore Limited (FACT) iii. Brahmaputra Valley Fertilizers Corporation Limited (BVFCL)

(b): The quantum of fertilizer produced and capacity utilization of units in the country during 2012-13 to 2013-14 and Kharif 2014 (April to June 2014) are at Annexe-II. The Installed capacities of DAP & Complex Fertilizers in many fertilizer manufacturing units are interchangeable.

(c): As replied in part (a) of the question three fertilizer companies has become sick. Reasons of sickness of these fertilizer companies are as under:

Name of Sick PSUs Reasons of Sickness

Madras Fertilizer Limited (MFL) Changes in Pricing Policy of urea by Government had negative impact on the financial performance of the Company. The New Pricing Scheme (NPS) for Urea was introduced from 1.4.2003 under which the earlier system of calculating the retention price of individual units on cost-plus basis was replaced by a group-based normative cost. Introduction of NPS from 01.04.2003 had a deleterious effect on the Company as there was an under recovery of Rs. 1,995/MT.

Further, the Price Concession Scheme for complex fertilizers as applicable from 1.4.2002 did not adequately compensate the Company for cost of 'N' in its flagship product NPK 17-17-17. Also old age of the plant had its impact on the efficiency ratios of the products and there on the production costs, Fertilizers and Chemicals The financial performance of FACT turned Travancore Limited (FACT) negative due to anomalies in the erstwhile price concession scheme for Complex fertilizer during 2002-03 to 2007-08, decontrol of Ammonium Sulphate in 1994 and also due to introduction of Group Pricing Scheme for urea in 2003 which led to stoppage of urea production on account of unviable economics.

Bharamputra Valley Fertilizers BVFCL is incurring financial losses since Corporation Limited (BVFCL) inception due to low capacity utilization & high energy consumption. The plants are underperforming due to obsolete technology, equipment failures and shortage of natural gas.

(d) : The urea units use domestic natural gas, Regasified Liquefied Natural Gas (RLNG) and Naphtha as feedstock for production of urea. The total requirement of gas for indigenous urea unit is about 46-47 MMSCMD of gas, which is met by domestic gas and imported RLNG . The EGoM in its meeting held on 23.8.2013 decided to maintain 31.5 MMSCMD of gas to fertilizers sector and give the sector first priority in meeting the shortfall below level of 31.5 MMSCMD from any additional production of NELP gas. The total gas

supply during June 2014 was 42.866 MMSCMD. There has been short supply of domestic gas to the fertilizer sector as given below:-

Monthly Gas supply data to the Fertilizer Sector (MMSCMD)

Month	Allocation	Supply (APM+JV+RIL+ONGC)	Shortfall	Non APM+	Others
April, 2014	31.5	31.38	0.12		
May, 2014	31.5	29.246	2.254		
June, 2014	31.5	28.116	3.384		

(e) : Government has planned financial restructuring of three sick units namely, MFL, BVFCL and FACT to sustain their operations. Generally, the proposals provide for infusion of fresh funds, waiver of Government of India loans as well as interest continuation of special dispensation in pricing mechanism under NPS Stage-III upto conversion to Natural Gas .